

Message Text

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PAGE 01 TOKYO 13852 241008Z

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ACTION EA-10

INFO OCT-01 EUR-08 ISO-00 SAJ-01 OMB-01 CIEP-01 CIAE-00

DODE-00 PM-03 H-01 INR-05 L-01 NSAE-00 NSC-05 PA-01

RSC-01 PRS-01 SP-02 SS-15 USIA-06 EB-04 COME-00

TRSE-00 NIC-01 XMB-02 FEA-01 AEC-05 AID-05 CEA-01

FPC-01 INT-05 SAM-01 OES-03 STR-01 FRB-01 /094 W

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R 240850Z OCT 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 5491

INFO AMEMBASSY MOSCOW

USLO PEKING

AMCONSUL HONG KONG

C O N F I D E N T I A L TOKYO 13852

EO 11652: GDS

TAGS: ENRG EFIN UR JA US

SUBJ: JAPAN-SOVIET JOINT ECONOMIC COMMITTEE MEETING

REF: MOSCOW 15808; B. TOKYO 12755

SUMMARY: JAPANESE VIEW JOINT ECONOMIC COMMITTEE MEETING AS OPPORTUNITY TO EXCHANGE VIEWS, BUT WILL NOT RESPOND TO NEW SOVIET PROPOSALS FOR JOINT PROJECTS. IF TYUMEN QUESTION RAISED BY SOVIETS, JAPANESE WILL FORMALLY REJECT PROPOSAL AS LONG AS PARTICIPATION IN SECOND TRANS-SIBERIAN RAILROAD A PRECONDITION. FINAL AGREEMENT ON MAJOR OIL AND GAS PROJECTS IN YAKUTSK AND OFF SAKHALIN ISLAND NOT EXPECTED BY TIME OF MEETING OCTOBER 29.

1. EMBOFFS CALLED ON FOREIGN OFFICE (ARAI, DIRECTOR, FIRST EAST EUROPE DIV) AND KEIDANREN (TACHIBANA, DEPUTY DIR, INTNL DIV) TO DISCUSS SIXTH JAPAN-SOVIET JOINT ECONOMIC COMMITTEE MEETING SCHEDULED
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PAGE 02 TOKYO 13852 241008Z

FOR OCT 29-NOV1. GOVERNMENT AND KEIDANREN

BOTH AGREE THAT JAPANESE DELEGATION WILL NOT TREAT TALKS AS NEGOTIATING FORUM, BUT AS OPPORTUNITY TO BEVIEW PROGRESS OF PROJECTS NOW UNDERWAY AND TO EXCHANGE VIEWS ON FUTURE OF BOTH ECONOMIES.

2. JAPANESE DELEGATION, WHICH WILL INCLUDE "ADVISORS" FROM MINS OF FOREIGN AFFAIRS, FINANCE AND INTERNATIONAL TRADE AND INDUSTRY, WILL NOT RESPOND TO ANY NEW SOVIET PROPOSALS FOR JOINT PROJECTS. ARAI INDICATED THAT SOVIETS MAY PRESENT SERIES OF "ATTRACTIVE PROJECTS" WHICH WOULD JUST HAPPEN TO LIE ALONG ROUTE OF PLANNED BAIKAL-AMUR RAILROAD. SUCH PROPOSALS, NO MATTER HOW ATTRACTIVE, WILL FIRST BE REFERRED TO TOKYO FOR THOROUGH REVIEW. ARAI ALSO RECONFIRMED JAPANESE FIRM INTENTION TO REJECT SOVIET INVITATION TO PARTICIPATE IN TYUMEN PROJECT SO LONG AS PARTICIPATION IN CONSTRUCTION OF BAIKAL-AMUR RAILROAD A PRECONDITION (REFTEL B). JAPANESE SIDE READY, HOWEVER, TO DISCUSS IN MORE DETAIL NEW PAPER/PULP PROJECT IF SOVIETS TABLE SPECIFIC PROPOSAL.

3. JAPAN EX-IM BANK VICE PRESIDENT MAEKAWA NOW IN MOSCOW TO NEGOTIATE EXTENSION OF YAKUTSK NATURAL GAS PROTOCOL, WHICH EXPIRED ON OCT 22. ACCORDING TO ARAI, SOVIETS HAVE REQUESTED THREE MONTH EXTENSION, TO WHICH JAPANESE CAN AGREE. HOWEVER, IF GENERAL AGREEMENT NOT REACHED AMONG U.S., USSR, AND JAPAN WITHIN THAT TIME FRAME, JAPAN EX-IM BANK WILL WANT TO RENEGOTIATE PROTOCOL TO REFLECT UPWARD TREND IN WORLD INTEREST RATES. ON QUESTION OF WHETHER OR NOT JAPAN WOULD PARTICIPATE IF US SIDE FINANCING PROVIDED BY PRIVATE BANKS RATHER THAN US EX-IM BANK, ARAI SAID FONOFF WOULD PREFER OFFICIAL US INVOLVEMENT BUT WOULD PROBABLY GIVE A GREEN LIGHT TO JAPANESE PARTICIPATION.

4. ON SAKHALIN PROJECT, SEVERAL KNOTTY PROBLEMS REMAIN UNSOLVED, INCLUDING TYPES OF CREDIT LINES TO BE EXTENDED AND MECHANISM FOR DECISION TO MOVE FROM EXPLORATION TO DEVELOPMENT STAGE. THESE PROBLEMS NOT EXPECTED TO BE RESOLVED BY TIME OF JOINT COMMITTEE MEETING.

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PAGE 03 TOKYO 13852 241008Z

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